

大快活
Fairwood

FAIRWOOD HOLDINGS LIMITED
(Incorporated in Bermuda with Limited Liability)
(Stock Code: 52)

2022·2023
INTERIM REPORT





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dennis Lo Hoi Yeung (*Executive Chairman*)

Lo Fai Shing Francis (*Chief Executive Officer*)

Peggy Lee

Independent Non-executive Directors

Ng Chi Keung

Joseph Chan Kai Nin

Peter Lau Kwok Kuen

Peter Wan Kam To

Yip Cheuk Tak

AUDIT COMMITTEE

Peter Wan Kam To (*Chairman*)

Ng Chi Keung

Joseph Chan Kai Nin

REMUNERATION COMMITTEE

Joseph Chan Kai Nin (*Chairman*)

Ng Chi Keung

Peter Lau Kwok Kuen

NOMINATION COMMITTEE

Dennis Lo Hoi Yeung (*Chairman*)

Peter Lau Kwok Kuen

Peter Wan Kam To

COMPANY SECRETARY

Chan Kang Tung

AUDITOR

KPMG

Public Interest Entity Auditor

registered in accordance with the

Financial Reporting Council Ordinance

SOLICITOR

Mayer Brown

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited

24/F, Admiralty Centre 1

18 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Bank of East Asia, Limited

BNP Paribas Hong Kong Branch

China Construction Bank (Asia)

Corporation Limited

Chong Hing Bank Limited

Dah Sing Bank, Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

MUFG Bank, Ltd.

OCBC Wing Hang Bank Limited

Standard Chartered Bank (Hong Kong)

Limited

UBS AG

United Overseas Bank Limited

REGISTERED OFFICE

Victoria Place, 5th Floor, 31 Victoria Street

Hamilton HM10, Bermuda

HEAD OFFICE AND

PRINCIPAL PLACE OF BUSINESS

2/F, TRP Commercial Centre

18 Tanner Road, North Point, Hong Kong

PRINCIPAL REGISTRAR AND

TRANSFER OFFICE

Ocorian Management (Bermuda) Limited

Victoria Place, 5th Floor, 31 Victoria Street

Hamilton HM10, Bermuda

HONG KONG BRANCH REGISTRAR

AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Rooms 1712-6, 17/F, Hopewell Centre

183 Queen's Road East, Hong Kong

WEBSITE

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STOCK CODE

52



Interim Results

The Board of Directors (the “Board”) of Fairwood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2022 together with the comparative figures for the six months ended 30 September 2021. The results have been reviewed by the Company’s auditor, KPMG, and the Company’s audit committee.

Consolidated Statement of Profit or Loss For the six months ended 30 September 2022 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2022 \$'000	2021 \$'000
Revenue	4	1,494,720	1,498,604
Cost of sales		(1,357,504)	(1,341,322)
Gross profit		137,216	157,282
Other revenue and other net gain	5	21,684	11,662
Selling expenses		(16,583)	(15,722)
Administrative expenses		(58,993)	(63,822)
Valuation losses on investment properties	10(a)	(3,830)	(1,110)
Impairment losses on other property, plant and equipment	10(b)	(6,660)	(2,401)
Impairment losses on right-of-use assets	11	(9,292)	(3,939)
Profit from operations		63,542	81,950
Finance costs	6(a)	(16,204)	(16,044)
Profit before taxation	6	47,338	65,906
Income tax expense	7	(4,512)	(13,413)
Profit for the period attributable to equity shareholders of the Company		42,826	52,493
Earnings per share			
Basic	9(a)	33.06 cents	40.52 cents
Diluted	9(b)	33.06 cents	40.52 cents

The notes on pages 11 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2022	2021
	\$'000	\$'000
Profit for the period attributable to equity shareholders of the Company	42,826	52,493
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in Mainland China	(5,691)	202
Total comprehensive income for the period attributable to equity shareholders of the Company	37,135	52,695

The notes on pages 11 to 24 form part of this interim financial report.



Consolidated Statement of Financial Position

At 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
Non-current assets			
Investment properties	10	24,270	28,100
Other property, plant and equipment	10	390,256	385,197
Right-of-use assets	11	1,000,373	1,078,744
		1,414,899	1,492,041
Lease receivables		–	609
Goodwill		1,001	1,001
Rental deposits paid		69,970	68,797
Deferred tax assets		4,494	5,336
		1,490,364	1,567,784
Current assets			
Inventories	12	52,352	57,278
Trade and other receivables	13	115,233	144,664
Current tax recoverable		–	10,440
Bank deposits and cash and cash equivalents	14	697,959	557,102
		865,544	769,484
Current liabilities			
Trade and other payables	15	413,426	344,428
Lease liabilities		394,185	410,072
Dividend payable		51,821	–
Current tax payable		11,867	41
Provisions	17	25,405	27,781
		896,704	782,322

Consolidated Statement of Financial Position

At 30 September 2022 – unaudited (continued)

(Expressed in Hong Kong dollars)

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Net current liabilities	(31,160)	(12,838)
Total assets less current liabilities	1,459,204	1,554,946
Non-current liabilities		
Lease liabilities	702,602	776,158
Deferred tax liabilities	108	1,086
Rental deposits received	1,160	1,769
Provisions	17	61,697
	759,274	840,710
NET ASSETS	699,930	714,236
Capital and reserves		
Share capital	129,553	129,553
Reserves	570,377	584,683
TOTAL EQUITY	699,930	714,236

The notes on pages 11 to 24 form part of this interim financial report.



Consolidated Statement of Changes in Equity for the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total \$'000
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	
At 1 April 2021 (audited)		129,533	54,832	7,693	3,837	527	581,414	777,836
Changes in equity for the six months ended 30 September 2021:								
Profit for the period		-	-	-	-	-	52,493	52,493
Other comprehensive income for the period		-	-	-	202	-	-	202
Total comprehensive income for the period		-	-	-	202	-	52,493	52,695
Share issued under share option scheme	16	20	356	(34)	-	-	-	342
Issue expenses		-	(5)	-	-	-	-	(5)
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	(77,731)	(77,731)
Lapse and cancellation of share options		-	-	(198)	-	-	198	-
Equity-settled share-based transactions	6, 16	-	-	1,056	-	-	-	1,056
		20	351	824	202	-	(25,040)	(23,643)
At 30 September 2021 (unaudited)		129,553	55,183	8,517	4,039	527	556,374	754,193

Consolidated Statement of Changes in Equity

for the six months ended 30 September 2022 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Exchange reserve \$'000	Land and buildings revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 October 2021 (unaudited)	129,553	55,183	8,517	4,039	527	556,374	754,193
<hr/>							
Changes in equity for the six months ended 31 March 2022:							
Loss for the period	-	-	-	-	-	(9,853)	(9,853)
Other comprehensive income for the period	-	-	-	1,704	-	-	1,704
<hr/>							
Total comprehensive income for the period	-	-	-	1,704	-	(9,853)	(8,149)
<hr/>							
Dividends declared in respect of the current year	8(a)	-	-	-	-	(32,388)	(32,388)
Lapse and cancellation of share options	-	-	(602)	-	-	602	-
Equity-settled share-based transactions	-	-	580	-	-	-	580
<hr/>							
	-	-	(22)	1,704	-	(41,639)	(39,957)
<hr/>							
At 31 March 2022 (audited)	129,553	55,183	8,495	5,743	527	514,735	714,236



Consolidated Statement of Changes in Equity

for the six months ended 30 September 2022 – unaudited (continued)

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
		Share capital	Share premium	Capital reserve	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2022 (audited)		129,553	55,183	8,495	5,743	527	514,735	714,236
<hr/>								
Changes in equity for the six months ended 30 September 2022:								
Profit for the period		-	-	-	-	-	42,826	42,826
Other comprehensive income for the period		-	-	-	(5,691)	-	-	(5,691)
<hr/>								
Total comprehensive income for the period		-	-	-	(5,691)	-	42,826	37,135
<hr/>								
Dividends approved in respect of the previous year		8(b)	-	-	-	-	(51,821)	(51,821)
Lapse and cancellation of share options			-	(3,045)	-	-	3,045	-
Equity-settled share-based transactions		6, 16	-	380	-	-	-	380
<hr/>								
		-	-	(2,665)	(5,691)	-	(5,950)	(14,306)
<hr/>								
At 30 September 2022 (unaudited)		129,553	55,183	5,830	52	527	508,785	699,930

The notes on pages 11 to 24 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2022 \$'000	2021 \$'000
Operating activities			
Cash generated from operations		397,253	358,109
Net tax refunded/(paid)		17,618	(20)
Net cash generated from operating activities		414,871	358,089
Investing activities			
Payment for purchase of other property, plant and equipment		(48,326)	(31,321)
Increase in bank deposits with more than three months to maturity		(30,759)	(23,617)
Proceeds from maturity of other financial assets		–	4,661
Net proceeds from disposal of other property, plant and equipment		2	38
Other cash flows arising from investing activities		1,134	1,134
Net cash used in investing activities		(77,949)	(49,105)
Financing activities			
Capital element of lease rentals paid		(209,395)	(215,800)
Interest element of lease rentals paid		(16,204)	(16,044)
Proceeds from shares issued under share options scheme	16	–	342
Other cash flows arising from financing activities		–	(5)
Net cash used in financing activities		(225,599)	(231,507)
Net increase in cash and cash equivalents		111,323	77,477
Cash and cash equivalents at 1 April		557,102	615,632
Effect of foreign exchange rate changes		(1,225)	195
Cash and cash equivalents at 30 September	14	667,200	693,304

The notes on pages 11 to 24 form part of this interim financial report.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 November 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

As at 30 September 2022, the Group’s total current assets were \$865,544,000 (31 March 2022: \$769,484,000) and total current liabilities were \$896,704,000 (31 March 2022: \$782,322,000).

Despite the net current liabilities as at 30 September 2022, the Group’s bank deposits and cash and cash equivalents amounted to \$697,959,000 (31 March 2022: \$557,102,000) on the same day and the Group reported a profit before tax of \$47,338,000 (2021: \$65,906,000) and recorded net cash generated from operating activities of \$414,871,000 (2021: \$358,089,000) during the six months ended 30 September 2022. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 September 2022, the directors of the Company (the “Director(s)”) are of the opinion that anticipated cash flows generated from the Group’s operations can strengthen the Group’s financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 September 2022. Accordingly, the interim financial report has been prepared on a going concern basis.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

1 Basis of preparation *(continued)*

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 25 and 26. In addition, this interim financial report has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2022 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 30 June 2022.

2 Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

The Group manages its businesses by two divisions, namely Hong Kong restaurants and Mainland China restaurants, which are organised by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Hong Kong restaurants: this segment operates fast food restaurants in Hong Kong.
- Mainland China restaurants: this segment operates fast food restaurants in Mainland China.

Other segments generate profits mainly from leasing of investment properties and include corporate expenses.



3 Segment reporting (continued)

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

For the six months ended 30 September

	Hong Kong restaurants		Mainland China restaurants		Other segments		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from external customers	1,417,757	1,427,194	76,349	70,013	614	1,397	1,494,720	1,498,604
Inter-segment revenue	-	-	-	-	1,400	1,883	1,400	1,883
Reportable segment revenue	1,417,757	1,427,194	76,349	70,013	2,014	3,280	1,496,120	1,500,487
Reportable segment profit/(loss)	68,663	78,653	(4,326)	(7,083)	2,783	1,786	67,120	73,356

Segment assets information is not reported to or used by the Group's most senior executive management.

(b) Reconciliations of reportable segment profit

	Six months ended 30 September	
	2022 \$'000	2021 \$'000
Profit		
Reportable segment profit before taxation	67,120	73,356
Valuation losses on investment properties	(3,830)	(1,110)
Impairment losses on other property, plant and equipment	(6,660)	(2,401)
Impairment losses on right-of-use assets	(9,292)	(3,939)
Consolidated profit before taxation	47,338	65,906

4 Revenue

The principal activities of the Group are operation of fast food restaurants and property investments.

Revenue represents the sales value of food and beverages sold to customers and rental income. An analysis of revenue is as follows:

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Sale of food and beverages at a point in time	1,494,106	1,497,207
Property rental	614	1,397
	1,494,720	1,498,604

5 Other revenue and other net gain

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Other revenue		
Interest income	3,533	1,777
Government grants (<i>Note</i>)	16,752	3,884
	20,285	5,661
Other net gain		
Electric and gas range incentives	2,751	2,840
Profit on sale of redemption gifts	337	427
Net foreign exchange (loss)/gain	(2,581)	611
Net loss on disposal of other property, plant and equipment	(1,212)	(2,264)
Others	2,104	4,387
	1,399	6,001
	21,684	11,662

Note: This mainly represented subsidies approved by the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region for Food Licence Holders Subsidy Scheme to cope with the operating pressure caused by the novel coronavirus epidemic.



6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
(a) <i>Finance costs</i>		
Interest expense on lease liabilities	16,204	16,044
(b) <i>Other items</i>		
Cost of inventories (<i>Note (i)</i>)	396,309	374,447
Depreciation		
– other property, plant and equipment	45,286	47,402
– right-of-use assets	196,524	201,364
Auditor's remuneration	2,260	2,245
Expenses related to short-term leases	5,498	3,331
Variable lease payments not included in the measurement of lease liabilities	3,067	2,511
Building management fee	24,570	25,624
Electricity, water and gas	87,572	80,450
Logistics expense	33,347	31,651
Repair and maintenance	22,564	20,826
Sanitation	29,570	26,932
Cost of subsequent replacement of cutlery and utensils	4,845	5,585
Staff costs (<i>Note (ii)</i>)	480,734	500,463
Equity-settled share-based payment expenses	380	1,056
Other expenses	83,971	81,257
	1,416,497	1,405,144
Representing:		
Cost of sales	1,357,504	1,341,322
Administrative expenses	58,993	63,822
	1,416,497	1,405,144

Note (i): The cost of inventories represents food and beverage costs.

Note (ii): The amount during the six months ended 30 September 2022 was net of employment support scheme subsidies from HKSAR Government of \$24,000,000 (six months ended 30 September 2021: \$nil).

7 Income tax expense

	Six months ended	
	30 September	
	2022	2021
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	4,707	9,994
Over-provision in respect of prior years	(59)	(34)
	4,648	9,960
Deferred tax		
Origination and reversal of temporary differences	(136)	3,453
	4,512	13,413

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 September 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2.0 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

No provision has been made for the People's Republic of China (the "PRC") corporate income tax for the six months ended 30 September 2022 and 2021, as the Group's Mainland China operations sustained a loss for taxation purpose.



8 Dividends

- (a) *Dividends payable to equity shareholders of the Company attributable to the interim period*

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 18.0 cents (2021: 25.0 cents) per share	23,320	32,388

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and payable during the interim period*

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Final dividend in respect of the previous financial year ended 31 March 2022, approved and payable during the following interim period, of 40.0 cents (year ended 31 March 2021: 60.0 cents) per share	51,821	77,731

In respect of the dividend for the year ended 31 March 2022, there is a difference of \$nil (year ended 31 March 2021: \$11,000) between the final dividend disclosed in the 2022 annual financial statements and amounts approved and payable during the period. The difference represented dividends attributable to new shares issued upon the exercise of share options, before the closing date of the Register of Members.

9 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 September 2022 is based on the profit attributable to ordinary equity shareholders of the Company of \$42,826,000 (2021: \$52,493,000) and the weighted average number of ordinary shares of 129,553,000 shares (2021: 129,547,000 shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the six months ended 30 September 2022 is based on the profit attributable to ordinary equity shareholders of the Company of \$42,826,000 (2021: \$52,493,000) and the weighted average number of ordinary shares of 129,553,000 shares (2021: 129,547,000 shares) in issue during the period.

10 Investment properties, other property, plant and equipment and leasehold land

- (a) All investment properties of the Group were revalued as at 30 September 2022 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the 31 March 2022 valuations. As a result, losses of \$3,830,000 (six months ended 30 September 2021: losses of \$1,110,000) have been charged to the consolidated statement of profit or loss.
- (b) During the six months ended 30 September 2022, the Group's management identified certain restaurants which continued to under-perform and estimated the recoverable amounts of the right-of-use assets and other property, plant and equipment of these restaurants. Based on these estimates, the carrying amount of the right-of-use assets and other property, plant and equipment was written down by \$9,292,000 (six months ended 30 September 2021: \$3,939,000) and \$6,660,000 (six months ended 30 September 2021: \$2,401,000) respectively during the period. The aggregate recoverable amounts of seventeen of these restaurants amounted to \$3,448,000 (six months ended 30 September 2021: four of these restaurants amounted to \$330,000) based on their value in use net of relevant lease liabilities. Apart from the above, the recoverable amount of the remaining impaired right-of-use assets and other property, plant and equipment were minimal (six months ended 30 September 2021: the recoverable amount of the remaining impaired right-of-use assets and other property, plant and equipment were minimal). The estimates of recoverable amount were based on the value in use of these right-of-use assets and other property, plant and equipment, determined using a pre-tax discount rate of 15% (six months ended 30 September 2021: 15%).
- (c) During the six months ended 30 September 2022, the Group acquired items of other property, plant and equipment with a cost of \$61,746,000 (six months ended 30 September 2021: \$34,967,000). Items of other property, plant and equipment with a net book value of \$1,215,000 were disposed of during the six months ended 30 September 2022 (six months ended 30 September 2021: \$2,302,000).
- (d) At 30 September 2022, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to \$871,000 (31 March 2022: \$921,000).



11 Right-of-use assets

During the six months ended 30 September 2022, the Group entered into a number of lease agreements for use of retail stores and signages, and therefore recognised the additions to the right-of-use assets of \$47,829,000 (six months ended 30 September 2021: \$27,152,000). The carrying amount of the right-of-use assets was written down by \$9,292,000 (six months ended 30 September 2021: \$3,939,000) during the period. The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates.

Details of impairment losses on right-of-use assets are disclosed in note 10(b).

12 Inventories

(a) *Inventories in the consolidated statement of financial position comprise:*

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Food and beverages	45,712	50,606
Consumables, packaging materials and other sundry items	6,640	6,672
	52,352	57,278

(b) *The analysis of the amount of inventories recognised as an expense is as follows:*

	Six months ended 30 September 2022 \$'000	2021 \$'000
Carrying amount of inventories sold	396,259	374,390
Write-down of inventories	50	57
	396,309	374,447

13 Trade and other receivables

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Trade debtors, net of loss allowance	12,900	17,288
Other debtors	18,948	51,301
Rental and utility deposits paid	55,971	51,483
Lease receivables	1,745	2,239
Prepayments	25,669	22,353
	115,233	144,664

All debtors, deposits and prepayments of the Group, apart from certain utility deposits totalling \$6,186,000 (31 March 2022: \$6,103,000), are expected to be recovered or recognised as expenses within one year.

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follow:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
1 to 30 days	11,524	15,404
31 to 90 days	683	1,882
91 to 180 days	692	2
181 to 365 days	1	–
	12,900	17,288

The Group's sales to customers are mainly on a cash and e-payment basis. The Group also grants credit terms of 30 to 75 days to certain customers to which the Group provides catering services.



14 Bank deposits and cash and cash equivalents

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Deposits with banks	435,062	305,097
Restricted cash	11,941	18,789
Cash at bank and on hand	220,197	233,216
<hr/>		
Cash and cash equivalents in the condensed consolidated cash flow statement	667,200	557,102
Bank deposits with maturity over three months	30,759	–
<hr/>		
	697,959	557,102
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15 Trade and other payables

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Creditors and accrued expenses	388,733	320,347
Contract liabilities	7,448	6,520
Other payables and deferred income	16,433	17,357
Rental deposits received	812	204
<hr/>		
	413,426	344,428
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15 Trade and other payables (continued)

Included in trade and other payables are trade creditors, based on the invoice date, with the following ageing analysis:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
1 to 30 days	123,505	104,122
31 to 90 days	10,116	855
91 to 180 days	659	1,011
181 to 365 days	121	19
Over one year	161	170
	134,562	106,177

16 Equity-settled share-based transactions

No share options were granted during the six months ended 30 September 2022 and 2021.

No share options were exercised during the six months ended 30 September 2022.

During the six months ended 30 September 2021, share options were exercised to subscribe for 20,000 ordinary shares of the Company (the "Share") at a consideration of \$342,000, of which \$20,000 was credited to share capital and the balance of \$322,000 was credited to the share premium account. \$34,000 has been transferred from the capital reserve to the share premium account upon the exercise of the respective share options during the period.

17 Provisions

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Provision for long service payments	12,637	21,398
Provision for reinstatement costs for rented premises	68,172	68,080
	80,809	89,478
Less: Amount included under "current liabilities"	(25,405)	(27,781)
	55,404	61,697



18 Capital commitments

Capital commitments outstanding at 30 September 2022 not provided for in the Group's interim financial report were as follows:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Contracted for	1,695	11,443
Authorised but not contracted for	3,465	15,573
	5,160	27,016

19 Contingent liabilities

At 30 September 2022, guarantees were given to banks by the Company in respect of banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by all the subsidiaries that are covered by the guarantees, being \$85,932,000 (31 March 2022: \$87,954,000).

20 Fair value measurement of financial instruments

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2022 and 31 March 2022.

21 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 September 2022:

- (a) *Remuneration for key management personnel of the Group for the six months ended 30 September 2022 is as follows:*

	Six months ended	
	30 September	
	2022	2021
	\$'000	\$'000
Salaries and other short-term employee benefits	7,637	9,287
Contribution to defined contribution retirement plans	24	27
	7,661	9,314

- (b) During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is a company beneficially owned by Mr Dennis Lo Hoi Yeung, Mr Lo Fai Shing Francis and his family members. In addition, Mr Dennis Lo Hoi Yeung is a director of New Champion. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the six months ended 30 September 2022 amounted to \$1,062,000 and \$149,000 respectively (six months ended 30 September 2021: \$1,073,000 and \$177,000 respectively).

At 30 September 2022, the Group recognised right-of-use assets and lease liabilities of \$9,613,000 and \$10,106,000 respectively (31 March 2022: \$10,675,000 and \$11,145,000 respectively).

- (c) During the period, a subsidiary of the Company leased a property from Hibony Limited ("Hibony"). Hibony is a company beneficially owned by Pengto International Limited (a company owned by Mr Dennis Lo Hoi Yeung solely). In addition, Mr Dennis Lo Hoi Yeung is a director of Hibony. Depreciation of the right-of-use assets and interest expense on lease liabilities incurred during the six months ended 30 September 2022 amounted to \$929,000 and \$144,000 respectively (six months ended 30 September 2021: \$936,000 and \$173,000 respectively).

At 30 September 2022, the Group recognised right-of-use assets and lease liabilities of \$8,210,000 and \$9,786,000 respectively (31 March 2022: \$9,139,000 and \$10,842,000 respectively).



Independent Review Report to the Board of Directors of Fairwood Holdings Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 3 to 24 which comprises the consolidated statement of financial position of Fairwood Holdings Limited as of 30 September 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 November 2022



Management Discussion and Analysis

Overall performance

The Group's revenue for the period ended 30 September 2022 was HK\$1,494.7 million (2021: HK\$1,498.6 million). Gross profit margin decreased to 9.2% (2021: 10.5%). Profit attributable to equity shareholders decreased by 18.4% to HK\$42.8 million (2021: HK\$52.5 million). Basic earnings per share were HK33.06 cents compared to HK40.52 cents for the corresponding period in 2021.

Business review

The transition out of the fifth wave of COVID-19 which battered Hong Kong in the first three months of 2022 has been steady but far from easy. Severe restrictions on the number of guests that could dine together at restaurants and on restaurant opening hours only began to be eased in late April, while dine-in dinners were banned for the first 20 days of that month, seriously affecting Fairwood's sales. As restrictions were eased and public confidence returned, Fairwood's performance registered a steady uptick, and by the end of September its sales was already close to that of the same half last year. However, the slow recovery process has meant Fairwood's bottom line dropped by comparison with the same period last year, when Hong Kong enjoyed a relatively stable period of the pandemic.

Focused multi-directional post-pandemic initiatives for stabilisation and growth

To encourage customers back to its restaurants, Fairwood undertook a number of initiatives across the period designed to further enhance customer satisfaction, food quality, and operation efficiency. It launched a series of innovative new products that expanded the meal options available to customers and attracted new customers. As an increasingly gloomy economy began to impact consumer spending, Fairwood introduced attractive value-for-money dishes across all its meal segments, while continuing to focus on expanding its increasingly popular takeaway options. Meanwhile, in the face of rapidly rising labour and food costs, the Group undertook some wide-ranging cost management and productivity enhancement initiatives.

Fairwood worked to rekindle customer enthusiasm and excitement by launching several limited-time special dishes as well as re-running previous well-received offers. Mainly targeted at the lunch segment, they included highly popular dishes in its Baked'n Cheese, White Curry, Japanese Cuisine and Thai Chill series. At the same time, an increasing selection of high quality buns and toast items produced by the Group's bakery enabled Fairwood to expand and enhance its breakfast and tea set options and drive new sales.

Restrictions on evening dining meant that the dinner segment suffered hardest during the height of the pandemic, and there was some work to be done in the period to rebuild. From July Fairwood began to introduce a number of new high quality premium dinner dishes that expanded the appeal of its dinner segment for many customers who might previously have opted for higher-cost restaurants. Initial response has been very positive, as diners have embraced dishes such as Special Seafood and Winter Melon Soup that can be bundled with dinner sets, and deluxe dishes such as Stewed Rice with Mini Abalone and Fish Maw in Shrimp Sauce among other well-received offerings. By widening the range and quality of Fairwood's dinner daypart products, the Group is increasing the attraction of its restaurants as dinner options, especially as the economy worsens and many diners consider downscaling their dining choices. The Group sees this newly enriched dinner segment as an area with strong potential for future expansion.

Fairwood has also been aware of its traditional appeal to customers looking for high value products. In an environment of rapidly rising food and labour costs, the Group has had to exercise all its ingenuity to deliver new sets that represent real value for money. It has done this across all its dayparts, introducing HK\$27 breakfast combinations for both dine-in and takeaway customers, a HK\$27 tea set, and special lunch value meals priced from HK\$33. It has also continued to ride on the success of its takeaway dinner deal, the HK\$99 for three dishes special.

Fairwood's takeaway sales, which only got underway during the pandemic, have continued to thrive, with the "Click & Collect" platform now generating double digit sales as a percentage of overall sales. "Click & Collect" members have continued to grow too, with membership standing at 320,000 as at the end of September 2022. The Group has introduced regular special offers to drive new customer engagement and maintain high interest in the platform, and expects "Click & Collect" to grow further once the dedicated app is launched later in the year.



As mentioned, the pandemic squeeze was accompanied by significant rises in both food costs and labour costs in what has been a difficult labour market for some time. There are no easy answers to these issues, but Fairwood successfully pared back costs by applying creative thinking and expanding its productivity initiatives. For instance, it began to move beyond its traditional suppliers to explore new supply sources (including direct import options) and a wider range of vendors. As its takeaway business continued to grow, Fairwood reassessed its packaging levels for takeaway products and found ways to reduce packaging and cut associated costs. It also rationalised its discount strategy, retaining its practice of offering attractive discounts but restricting such discount offers to areas where discounts have been proven to drive sales, a move that has helped improve margins.

Productivity initiatives have included expanding the use of part-time workers and outsourcing basic jobs such as dishwashing and cleaning. Further productivity changes were also made in Fairwood's Master Kitchen where many of its dishes are part-prepared, making in-store food preparation easier and faster than ever. The trend towards digitalisation was also continued (for example the installation of digital menu boards), a move which is not only delivering greater efficiencies but also making for a better all-round customer experience. Meanwhile, Fairwood has been negotiating rental renewals strenuously in a more favourable leasing environment than has been the case for some time, bringing cost savings in many cases.

Hong Kong

In Hong Kong, store numbers have remained stable at a time when the focus has been on riding the storm and rebuilding confidence in in-store dining. At the end of the period there were 148 Fairwood stores in operation in the city. The Group's specialty restaurants, meanwhile, were especially susceptible to the difficulties of the period; it is expected that some time will be needed before they regain full momentum.

One especially gratifying development of the past six months has been Fairwood's gradual resumption of its community service initiatives, which have been severely constrained over the past two years. Around 10 stores were able to engage in CSR activities in the period under the "Fairwood Care for the Community Programme", run in conjunction with selected NGOs. Their activities included the Heartwarming Food Donation Programme under which meal boxes were donated to the needy, and some Joyous Meals with Seniors, meal gatherings where volunteers interacted with elderly people who live alone. Fairwood also continued to roll out new surprises and special offers as part of the Fairwood Care for Seniors card, which remains as popular as ever among the elderly. Over 350,000 Hong Kong seniors are now members of the card programme, and all benefited from Fairwood increasing the frequency of its card promotions in the period.

Mainland China

On the Mainland, anti-COVID measures in Guangdong Province (where Fairwood’s Mainland stores are located) caused disruptions to its business throughout the period. Physical lockdowns in the Guangzhou metro area and Shenzhen meant compulsory store closures that pushed sales down. Despite this, the Group’s Mainland operations are moving along the right track in terms of overall performance, and more stores are being opened. These Mainland Fairwood stores are smaller than their Hong Kong counterparts and offer extensive delivery options, so when freed from the lockdowns, they have the potential for rapid recovery.

Network

In the period under review, the Group opened nine new stores, made up of six in Hong Kong and three in Mainland China. As of 30 September 2022, the Group had a total of 160 stores in Hong Kong, including 148 fast food stores and 12 specialty restaurants — three ASAP, five Taiwan Bowl, three The Leaf Kitchen and one Kenting Tea House. In Mainland China, the Group was operating 22 stores as at 30 September 2022.

PROSPECTS

At the time of writing, the Hong Kong government had relaxed a number of its anti-pandemic measures and reasserted its commitment to the economy, reviving public confidence. At the same time, global tensions and rising inflation have signalled the likelihood of a significant global economic downturn, if not a recession. These two developments both represent relatively positive opportunities for Fairwood which, as a fast food company, occupies a strong position within any recessionary-trending market. As belts are tightened, it is common to see diners ‘trading down’ their restaurant choices, especially in the dinner segment. Fairwood’s recent initiatives to expand and enhance its dinner offerings have great potential to bring such diners into Fairwood restaurants. Meanwhile, renovations introducing the new Fairwood design have been successful in pilot stores, and the design changes will continue to be implemented gradually across the network.



In Mainland China, Fairwood intends to stay prudent with its expansion plans. More consolidation and enhancement on operation will be done internally in the second half, to get the business prepared for capturing opportunities once lockdowns are over. Gross sales from its Mainland stores have continued to improve, and the Group will get prepared to capture the relevant opportunities once Mainland China is able to stabilise its pandemic situation.

In the second half of the year, Fairwood will celebrate the 50th anniversary of its founding back in 1972. This represents a major brand-building opportunity for the Group, and much planning is being put into various upcoming promotional campaigns. The launch of the Fairwood app in October will be a first step, which will be followed by the roll-out of many new and exciting meal products, many great offers, and much more besides. The goal is both to express Fairwood's gratitude for its customers' support over the last 50 years, and to share excitement regarding its next 50 years in Hong Kong.

Overall, the macro environment is improving in terms of customer confidence, although this is being offset to an extent by lingering challenges of inflationary food costs and labour shortages. Fairwood is addressing these cost difficulties robustly and will continue to face them head-on in the months ahead. Although there is a risk of economic downturn in the air, this in many respects represents an opportunity for a fast food business like Fairwood. Although its interim results have been modest, Fairwood's position at the end of the period was stable and show it to be well on the road to full recovery.

Financial Review

Liquidity and financial resources

As at 30 September 2022, total assets of the Group amounted to HK\$2,355.9 million (31 March 2022: HK\$2,337.3 million). The Group's net current liabilities were HK\$31.2 million (31 March 2022: net current liabilities of HK\$12.8 million), represented by total current assets of HK\$865.5 million (31 March 2022: HK\$769.5 million) against total current liabilities of HK\$896.7 million (31 March 2022: HK\$782.3 million) and the current ratio, being the proportion of total current assets against total current liabilities, was 1.0 (31 March 2022: 1.0). Total equity was HK\$699.9 million (31 March 2022: HK\$714.2 million).

The Group finances its business with internally generated cash flows and available banking facilities. At 30 September 2022, the Group had bank deposits and cash and cash equivalents amounting to HK\$698.0 million (31 March 2022: HK\$557.1 million), representing an increase of 25.3%. Most bank deposits and cash and cash equivalents were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 September 2022, the Group had no bank loan (31 March 2022: nil). The gearing ratio of the Group was 0.0% (31 March 2022: 0.0%), which was calculated based on the total bank loan over total equity. The unutilised banking facilities were HK\$328.0 million (31 March 2022: HK\$335.9 million).

Profitability

Annualised return on average equity was 12.1% (year ended 31 March 2022: 5.7%), being profit for the period attributable to equity shareholders of the Company against the average total equity at the beginning and the end of the reporting period and then multiplied by two.

Financial risk management

The Group is exposed to foreign currency risk primarily through other financial assets and bank deposits and cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. As Hong Kong dollar is pegged to United States dollar, the Group does not expect any significant movements in the United States dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Charges on the Group's assets

As at the end of the reporting period, the net book value of properties pledged as security for banking facilities granted to certain subsidiaries of the Group amounted to HK\$0.9 million (31 March 2022: HK\$0.9 million).



Commitments

As at 30 September 2022, the Group's outstanding capital commitments was HK\$5.2 million (31 March 2022: HK\$27.0 million).

Contingent liabilities

As at 30 September 2022, guarantees are given to banks by the Company in respect of banking facilities extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company under the guarantee arrangement. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the outstanding utilised facilities by all the subsidiaries that are covered by the guarantees, being HK\$85.9 million (31 March 2022: HK\$88.0 million).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

Employee information

As at 30 September 2022, the total number of employees of the Group was approximately 5,500 (31 March 2022: 5,700). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages, share options and bonus to eligible staff, based on the performance of the Group and the individual employee. Also, the Group has committed to provide related training programme to improve the quality, competence and skills of all staff.

Other Information

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 September 2022, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) *Interests in the Company*

	Ordinary shares of HK\$1 each				Number of underlying Shares pursuant to Share options	Total	Percentage of total issued Shares
	Personal interests	Family interests	Corporate interests	Other interests			
Dennis Lo Hoi Yeung	109,000	-	-	55,435,384 (Note 1)	-	55,544,384	42.87%
Lo Fai Shing Francis	-	-	-	55,435,384 (Note 1)	1,040,000	56,475,384	43.59%
Peggy Lee	402,000	-	-	-	333,000	735,000	0.57%
Mak Yee Mei (resigned on 6 July 2022)	1,180,000	-	-	-	-	1,180,000 (Note 2)	0.91%

Note 1: These Shares were held by Neblett Investments Limited ("Neblett") and CFJ Holdings Limited ("CFJ"). These companies are beneficially owned by two separate trusts of which Mr Dennis Lo Hoi Yeung and Mr Lo Fai Shing Francis are the discretionary objects. Both Mr Dennis Lo Hoi Yeung and Mr Lo Fai Shing Francis, by virtue of their interests in the trusts as the discretionary objects and as the Executive Chairman and Executive Director & Chief Executive Officer of the Company respectively, were deemed interested in the Shares held by Neblett and CFJ.

Note 2: These Shares were held by Ms Mak Yee Mei as at the date of her resignation as Executive Director on 6 July 2022 and such Share interests disclosure would be ceased after her resignation pursuant to the SFO.



(b) *Interests in Fairwood Fast Food Limited*

	Number of Non-voting deferred shares				
	Personal interests	Family interests	Corporate interests	Other interests	Total
Dennis Lo Hoi Yeung	11,500	–	279,357 (Note 3)	–	290,857

Note 3: These shares were held by Pengto International Limited, a company owned by Mr Dennis Lo Hoi Yeung solely.

All the interests stated above represent long positions.

Apart from the foregoing and those disclosed under the section headed “share option schemes” below, as at 30 September 2022, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Details of Directors’ and chief executive’s interests under the share option schemes of the Company are also set out in the section headed “share option schemes” below.

Share option schemes

Share option scheme of the Company which was adopted on 7 September 2011 has been expired on 6 September 2021 (the "2011 Share Option Scheme"). A new share option scheme of the Company was approved by the shareholders of the Company and adopted on 9 September 2021 (the "2021 Share Option Scheme"). Upon expiration of the 2011 Share Option Scheme, no further options will be granted thereunder. However, the options which had been granted under the 2011 Share Option Scheme prior to such expiration will continue to be valid and exercisable in accordance with the rules of 2011 Share Option Scheme.

As at 30 September 2022,

- (a) there is no option has been granted under 2021 Share Option Scheme since it has been adopted; and
- (b) the Directors and employees of the Company had the following interests in options to subscribe for Shares pursuant to the 2011 Share Option Scheme.



	Date granted	Exercisable period	Number of options outstanding at 1 April 2022	Number of options granted during the period	Number of options lapsed during the period	Number of options cancelled during the period	Number of options exercised during the period	Number of options outstanding at 30 September 2022	Exercise price per share HK\$	Closing price per share immediately before date of grant of options HK\$	Weighted average price of closing price per share immediately before date of exercise of options HK\$
Lo Fai Shing Francis (Director)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	40,000	-	(40,000)	-	-	-	20.70	20.80	-
	(b) 6 July 2020	1 April 2021 to 31 March 2027 (Note 4)	40,000	-	-	-	-	40,000	17.90	17.84	-
	(c) 10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	1,000,000	-	-	-	-	1,000,000	17.08	17.12	-
Peggy Lee (Director)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	60,000	-	(60,000)	-	-	-	20.70	20.80	-
	(b) 2 October 2015	1 October 2016 to 30 September 2022 (Note 2)	33,000	-	-	-	-	33,000	22.20	21.90	-
	(c) 10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	300,000	-	-	-	-	300,000	17.08	17.12	-
Mak Yee Mei (Director, resigned on 6 July 2022)	(a) 20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	220,000	-	(220,000)	-	-	-	20.70	20.80	-
	(b) 10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	300,000	-	(300,000)	-	-	-	17.08	17.12	-
Employees	20 April 2015	1 April 2016 to 31 March 2022 (Note 1)	1,106,500	-	(1,106,500)	-	-	-	20.70	20.80	-
Employee	18 December 2018	1 October 2019 to 30 September 2025 (Note 3)	30,000	-	-	-	-	30,000	26.42	26.35	-
Employees	6 July 2020	1 April 2021 to 31 March 2027 (Note 4)	710,000	-	(150,000)	-	-	560,000	17.90	17.84	-
Employees	10 August 2020	1 April 2021 to 31 March 2027 (Note 4)	700,000	-	-	-	-	700,000	17.08	17.12	-
Employee	30 December 2020	1 December 2021 to 30 November 2027 (Note 5)	300,000	-	-	-	-	300,000	17.76	17.70	-

Note 1: These options shall vest in five tranches as follows: 10% on 1 April 2016, 15% on 1 April 2017, 20% on 1 April 2018, 25% on 1 April 2019 and the remaining 30% on 1 April 2020;

Note 2: These options shall vest in five tranches as follows: 10% on 1 October 2016, 15% on 1 October 2017, 20% on 1 October 2018, 25% on 1 October 2019 and the remaining 30% on 1 October 2020;

Note 3: These options shall vest in five tranches as follows: 10% on 1 October 2019, 15% on 1 October 2020, 20% on 1 October 2021, 25% on 1 October 2022 and the remaining 30% on 1 October 2023;

Note 4: These options shall vest in five tranches as follows: 10% on 1 April 2021, 15% on 1 April 2022, 20% on 1 April 2023, 25% on 1 April 2024 and the remaining 30% on 1 April 2025; and

Note 5: These options shall vest in five tranches as follows: 10% on 1 December 2021, 15% on 1 December 2022, 20% on 1 December 2023, 25% on 1 December 2024 and the remaining 30% on 1 December 2025.

Apart from the foregoing, at no time during the six months ended 30 September 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any of its associated corporations within the meaning of the SFO.



Substantial interests in the share capital of the Company

As at 30 September 2022, the interests or short positions of every person, other than the Directors and chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:–

	Shares directly and/or indirectly held	Percentage of total issued shares
(i) Neblett (<i>Note 1</i>)	48,775,384	37.65%
(ii) CFJ	6,660,000	5.14%
(iii) Winning Spirit International Corp. (“WSIC”) (<i>Note 1</i>)	48,775,384	37.65%
(iv) HSBC International Trustee Limited (“HITL”) (<i>Note 2</i>)	55,438,384	42.79%

Note 1: These interests represented the same block of shares directly held by Neblett. WSIC owned 100% interest in Neblett and was therefore deemed interested in the Shares directly held by Neblett; and

Note 2: Except for 3,000 Shares held by HITL as trustee for other trusts, these interests represented the same block of Shares directly held by Neblett and CFJ. HITL, in its capacity as a trustee of two separate trusts of which Mr Dennis Lo Hoi Yeung (as founder and discretionary object) and Mr Lo Fai Shing Francis (as discretionary object), owned 100% interest in WSIC and CFJ and was therefore deemed interested in the Shares directly held by these companies.

All the interests stated above represent long positions.

Save as disclosed above, no other interest or short position in the Shares or underlying Shares were recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 September 2022.

Dividend

The Board declared an interim dividend of HK18.0 cents (2021: HK25.0 cents) per share for the six months ended 30 September 2022 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 December 2022. The declared dividend represented a distribution of approximately 54% (2021: 62%) of the Group's profit for the period attributable to equity shareholders. The interim dividend will be paid on or before Friday, 30 December 2022.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 14 December 2022 to Friday, 16 December 2022 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 13 December 2022 for registration.

Purchase, sale or redemption of the Company's listed securities

Throughout the six months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022, save and except that the Chairman and the Managing Director (Chief Executive Officer) of the Company are not subject to retirement by rotation under the Bye-laws of the Company (the "Bye-laws").



Code provision B.2.2. of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; however, the Chairman and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws. The Board considers that the exemption of both the Chairman and the Managing Director (the Chief Executive Officer) of the Company from such retirement by rotation provisions would provide the Group with strong and consistent leadership, efficient use of resources, effective planning, formulation and implementation of long-term strategies and business plans. The Board believes that it would be in the best interest of the Company for such Directors to continue to be exempted from retirement by rotation provisions.

Audit Committee

The audit committee comprises three Independent Non-executive Directors and reports to the Board. The audit committee has reviewed with the management and the Company's external auditor the unaudited financial information and interim results for the six months ended 30 September 2022.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Following specific enquiry by the Company, all Directors confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 September 2022.

Disclosure of Information on Directors pursuant to Listing Rule 13.51B(1)

Pursuant to Listing Rule 13.51B(1), the change in information of our Directors since the date of 2021/2022 Annual Report of the Company is Ms MAK Yee Mei has resigned as an Executive Director, the Company Secretary and an Authorized Representative of the Company with effect from 6 July 2022.

By Order of the Board
Fairwood Holdings Limited
Dennis Lo Hoi Yeung
Executive Chairman

Hong Kong, 29 November 2022